

APPENDIX 3

Exhibit “A”

Deposition Excerpts of Pamela Mitchell

PAMELA MITCHELL - VOLUME 1
OCTOBER 23, 2012

Page 1

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:

ROYCE HOMES, L.P.,
Debtor.

CASE NO. 09-32467-H4-7
(Chapter 7)

RODNEY TOW, TRUSTEE,
Plaintiff,

VS.

JOHN H. SPEER, AMEGY
BANK, N.A., AMEGY
MORTGAGE COMPANY,
L.L.C., MICHAEL
MANNERS, DONNIE LOU
SPEER, VESTALIA, LLC,
HAMMERSMITH GROUP,
INC., PARK LAKE
COMMUNITIES, L.P.,
WATERMARK LAND, LLC,
WATERMARK LAND, LP,
WATERMARK TORTUGA, LLC,
ALLARD INVESTMENT
COMPANY, LLC, DWM
HOLDINGS, INC., MGM
MOTOR SPORTS, L.L.C.,
SARACEN HOLDINGS, INC.,
and GEORGE KOPECKY,
Defendants.

CIVIL ACTION NO. 4:11-cv-03700
JURY DEMANDED

ORAL AND VIDEOTAPED DEPOSITION OF PAMELA MITCHELL
OCTOBER 23, 2012
VOLUME 1 OF 2

PAMELA MITCHELL - VOLUME 1
OCTOBER 23, 2012

Page 42	Page 44
<p>1 capital for the company. It was a chance for the company</p> <p>2 to consolidate their debt instead of having all of these,</p> <p>3 you know, however many, 12, you know, different lenders to</p> <p>4 manage and all of those relationships to manage and -- and</p> <p>5 terms to keep up with. It was a simplified approach, and</p> <p>6 in the end they decided not to do it.</p> <p>7 Q. Do you know why they decided not to do it?</p> <p>8 A. I don't.</p> <p>9 Q. You're aware, aren't you, that in 2006 Mr. Speer</p> <p>10 bought out Mr. Manners's interest in Royce Homes?</p> <p>11 MR. HARRELL: Object to form.</p> <p>12 A. Yes.</p> <p>13 Q. (BY MR. GIBSON) Okay. What -- what do you know</p> <p>14 about that, of that transaction or that process?</p> <p>15 MR. DUNCAN: Object to form.</p> <p>16 A. Can you be a little more specific?</p> <p>17 Q. (BY MR. GIBSON) Sure. Did you provide any</p> <p>18 analysis or information to either Mr. Manners or Mr. Speer</p> <p>19 or anybody else when -- before -- when they were</p> <p>20 considering entering into a transaction whereby</p> <p>21 Mr. Manners would contribute or sell his interest in the</p> <p>22 company?</p> <p>23 A. My recollection is just learning about it after</p> <p>24 the fact, and then I was brought in to maintain a payoff</p> <p>25 schedule. But I think all the terms of the deal were</p>	<p>1 MR. DUNCAN: Object to form.</p> <p>2 Q. (BY MR. GIBSON) Does -- does that sound familiar</p> <p>3 to you in terms of the structure?</p> <p>4 A. I really don't recall. It was so long ago.</p> <p>5 Q. Okay. Do you know what role Amegy Bank had in</p> <p>6 any portion of the -- the buy-out in terms of payments to</p> <p>7 Mr. Manners?</p> <p>8 MR. DUNCAN: Object to form.</p> <p>9 A. I don't recall.</p> <p>10 Q. (BY MR. GIBSON) Okay. Did you have any -- you</p> <p>11 yourself have any communications, whether it be orally or</p> <p>12 in writing, with any of Royce Homes's lenders with regard</p> <p>13 to consents for the -- the buy-out of Mr. Manners by</p> <p>14 Mr. Speer?</p> <p>15 MR. HARRELL: Object to form.</p> <p>16 A. I'm sorry. Could you repeat that?</p> <p>17 Q. (BY MR. GIBSON) Yes, ma'am. Did you personally</p> <p>18 have any communications, whether they be orally or in</p> <p>19 writing, with any of Royce Homes's banks, their lenders,</p> <p>20 with regard to any consents by those lenders to the</p> <p>21 buy-out of Mr. Manners?</p> <p>22 A. I really don't recall.</p> <p>23 Q. Okay.</p> <p>24 MR. ROSENTHAL: Can we take a recess? The</p> <p>25 witness has asked.</p>
Page 43	Page 45
<p>1 already decided.</p> <p>2 Q. Okay. And that's what I was getting at. I was</p> <p>3 trying to find out what your involvement was. And so</p> <p>4 you -- your testimony is that it was really after the fact</p> <p>5 that you gained any knowledge of it?</p> <p>6 MR. ROSENTHAL: Object to form.</p> <p>7 A. That's my recollection --</p> <p>8 Q. (BY MR. GIBSON) Okay.</p> <p>9 A. -- yes.</p> <p>10 Q. You said -- you mentioned a payoff schedule.</p> <p>11 What -- what is the payoff schedule of -- of that you</p> <p>12 maintained and what does that mean?</p> <p>13 A. Oh, it just means that we followed the terms of</p> <p>14 the contract to pay off the principal amount just like you</p> <p>15 would with any other note. So we -- I believe the payoff</p> <p>16 was based on units. So we just -- it was just a schedule</p> <p>17 that -- that calculated the payoff according to however</p> <p>18 many units were sold or closed or whatever the terms were</p> <p>19 of the agreement.</p> <p>20 Q. Do you understand that the -- that the buy-out of</p> <p>21 Mr. Manners's interest was achieved through one</p> <p>22 component -- it was approximately \$33 million, and one</p> <p>23 component was a cash payment of roughly 20 million and</p> <p>24 then a \$13 million note?</p> <p>25 MR. ROSENTHAL: Object to form.</p>	<p>1 MR. DUNCAN: Sure, no problem.</p> <p>2 THE WITNESS: Thank you.</p> <p>3 THE VIDEOGRAPHER: 9:57, off record.</p> <p>4 (Short recess.)</p> <p>5 THE VIDEOGRAPHER: 10:08, back on record.</p> <p>6 MR. ROSENTHAL: One thing that I missed</p> <p>7 before we began the deposition is the witness does not</p> <p>8 waive her right to review and sign and make any</p> <p>9 corrections to the deposition transcript. Just wanted to</p> <p>10 get that on the record before I forgot.</p> <p>11 (Exhibit 1 marked.)</p> <p>12 Q. (BY MR. GIBSON) Ms. Mitchell, I'm handing you a</p> <p>13 document that has been marked as Exhibit 1 to your</p> <p>14 deposition here today.</p> <p>15 And the first page -- we'll go through this</p> <p>16 in just a moment to familiarize you with this document.</p> <p>17 The first page appears to be an e-mail from you to John</p> <p>18 Speer and James Hunter dated June 1st of 2006. Do you see</p> <p>19 that?</p> <p>20 MR. ROSENTHAL: Objection, form.</p> <p>21 A. Yes.</p> <p>22 Q. (BY MR. GIBSON) Okay. Do you recall this</p> <p>23 e-mail?</p> <p>24 A. No. I -- no, I don't.</p> <p>25 Q. Okay. Let's -- the -- the text of the e-mail</p>

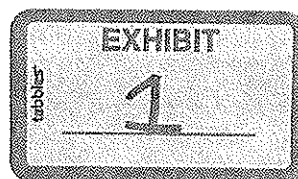
12 (Pages 42 to 45)

PAMELA MITCHELL -- VOLUME 1
OCTOBER 23, 2012

Page 46	Page 48
<p>1 says, "Copy of our 5-31-06 projections for A bank per your 2 request." 3 Do you know whether or not A bank is 4 referring to Amegy Bank? 5 MR. DUNCAN: Object to form. 6 A. I -- I don't know. 7 Q. (BY MR. GIBSON) Okay. 8 A. I don't recall. 9 Q. Let's go to the second page of Exhibit No. 1. 10 And this is a document called "Royce, 5 Year Projections, 11 For Discussion Purposes Only, Confidential, Updated 12 May 31, 2006," and then a date that I'll get to in just a 13 moment. Do you see that, ma'am? 14 A. Yes -- 15 Q. Okay. 16 A. -- I see it. 17 Q. If you would just -- without looking at the 18 content, just briefly look at this document that was 19 attached to that e-mail. And does this appear to be the 20 type of five-year projections that you would have prepared 21 while you looked -- while you worked at Royce Homes? 22 A. It's so long ago, it -- I -- I don't remember 23 this exactly, but it looks like something that I would 24 have worked on. 25 Q. Okay.</p>	<p>1 meaningful. 2 MR. DUNCAN: Well, it will be when we have 3 two Exhibit No. 1s and -- or we have, you know -- so for 4 clarification purposes, the exhibits that we will be 5 putting into the depositions -- basically all the 6 depositions are going to be under the same numbers from, 7 you know, 1 to 300, you know, or so, and they'll be 8 plaintiff exhibits. 9 And you can call your exhibits what you 10 want, but for clarification purposes, the exhibits that we 11 will be using will be entitled Plaintiff's Exhibits 12 starting from 1 to, you know, whatever. 13 MR. HARRELL: Well, I'm not going to agree 14 to that because I think it's terribly confusing to do it 15 that way, to have multiple 1s, 2s, and 3s. 16 MR. DUNCAN: I -- 17 MR. HARRELL: But you can do whatever -- 18 whatever you want to. I'm just objecting to it because I 19 think it adds an unnecessary degree of confusion to any 20 deposition. 21 MR. DUNCAN: Okay. 22 MR. GIBSON: I agree. I'm not going to 23 argue about it, but I agree with everything Ed just said. 24 MR. DUNCAN: All right. 25 MR. HARVEY: So are we going to have a bunch</p>
Page 47	Page 49
<p>1 MR. ROSENTHAL: George, if I might get a 2 correction. You sent some exhibits over in a binder that 3 were tabbed 1 through -- 1 through 9. Is that what we're 4 talking about or are these different documents? 5 MR. GIBSON: I have no idea if this is 6 included in that binder or not. 7 MR. ROSENTHAL: Okay. 8 MR. GIBSON: It may be, it may not be. But 9 this is what we're marking as a first exhibit to her 10 deposition. 11 MR. ROSENTHAL: Okay. So the binders 12 basically we're not going by, we don't think? 13 MR. GIBSON: Not strictly, no. And here's a 14 copy for you. 15 MR. ROSENTHAL: Okay. 16 MR. DUNCAN: I have something, also. For 17 clarification purposes, if you can start at Defendants's 18 Exhibit No. 1. I have my separate premarked exhibits, and 19 we will do plaintiff's exhibits, all the defendants can do 20 their defendant exhibits. 21 MR. GIBSON: Well, that's not the way 22 deposition exhibits are usually done. I've never heard of 23 it being done that way. These are just deposition 24 exhibits, and so I don't really know that calling them a 25 plaintiff or exhibit or defendant document is terribly</p>	<p>1 of duplicative -- duplicative exhibits, also, that we're 2 all -- 3 MR. GIBSON: It sounds that way. 4 MR. HARVEY: -- having to -- 5 MR. DUNCAN: I'm sorry. Say that -- 6 MR. HARVEY: Are we all going to have 7 duplicative exhibits, too, that we're all paying for to 8 have reproduced to us? 9 MR. DUNCAN: No, this is probably going to 10 be a better technique, because what we're going to do is 11 have the same library of documents throughout the 12 depositions so we don't have to recreate, you know -- you 13 know, the same exhibit may be used in three or four or 14 five different depositions and why copy it five or six times and 15 have it have different, you know, Mitchell, Hunter -- 16 MR. GIBSON: We're not talking about doing 17 that -- 18 MR. DUNCAN: Well -- 19 MR. GIBSON: -- they're continuous exhibits. 20 MR. DUNCAN: Well -- 21 MR. GIBSON: But it sounds like to me that 22 if you're going to be using the same document that we just 23 marked as Exhibit No. 1, this may be Plaintiff's Exhibit 24 No. 20. 25 MR. TOW: That's right.</p>

From: Pamela Ivie
To: John Soper; James Hunter
Subject: 5 year projections for A Bank attached
Date: Thursday, June 01, 2006 9:55:46 AM
Attachments: Cons.FBIDA.XLS

Copy of our 5/31/06 projections for A Bank per your request:



ROYCE

5 Year Projections

FOR DISCUSSION PURPOSES ONLY

CONFIDENTIAL

UPDATED May 31, 2006

10/11/2012 8:15

ROYCE

Notes and Assumptions

- 1 COS includes all Direct, Selling and Closing Costs. See #8 below for additional notes.
- 2 Operating Expenses Includes all General & Administrative costs (Overheads), period interest expense and profit participi
- 3 Operating Income is pre-profit participation.
- 4 Interest included in EBITDA calculation includes previously capitalized interest.
- 5 See Interest calculation schedule for interest calculations.
See Proforma Fixed Asset schedule for PP&E acquisition and depreciation calculations.

6 **For Acquisitions:**

- a > Assume average acquisition will have 200 deliveries * existing co's avg sales price at that time = projected revenue,
- b > Assume margins similar to the average of our core mkts,
- c > Assume operating expense margins similar to the average of our core mkts,
- d > See Proforma Fixed Asset schedule for PP&E projections.

7 **For Projected Balance Sheet:**

- a > 2005 entities COMBINED: Houston, Dallas, Phoenix, Atlanta, Land Companies, Model Homes
Assets
- b > Receivables are comprised mainly of receivables from unfunded closings and are calculated as a % of CY revenue. (Historical average A/R as % of TTM Rev is approx. 1-7%)
- c > Prepaid Expenses is comprised mainly of prepaid insurance and model decoration expenses which are amortized over the life of the subdivision. (Historical average PPD as % of TTM Rev = 1.2%)
- d > WIP is calculated based on COGS/Work in Process. Historically, Inventory Turnover has ranged 2-2.2x / year. Trailing 12 mo average inventory turnover = 2.13x / year. Project gradual improvement up to 2.5x / year.
- e > Completed Lots (Lots Owned) by the homebuilder entities as % of Next Year's closings remains constant at 25% of next year's closings. Completed Lots of the Land Companies grows at 10% per year.
- f > Development Lots represent ongoing development in Land Co and PHX. Est growth Y/Y of 10%
- g > PP&E Assumes 5 year useful life and 20% growth in asset base per year for replacements except in Houston where we assume 200-300k/year for additions and depreciation. See Proforma Fixed Asset Schedule.
- h > Deposits as % of Total Inventory remains constant as deposits increases in step with production levels.

Liabilities

- i > A/P as % WIP remains constant as payments to subs increase in step with inventory. Historical avg = 13%.
- j > Notes payable consists of \$1.3MM to MM in 2007 for SDT.
- k > Interim Finance represents the marginal borrowing to maintain \$0 cash balance.
- l > Capital Lease Liab is per schedule. Exp May 2016. Monthly deprec = \$29,411.
- m > Accrued Liabilities includes accrued warranty and accrued profit participation for Q4. Projected to remain consistent at 6% of Inventory. Hist avg 6%.
- n > Earnest Money Liab as % Revenue remains constant as EM deposits increase in step with sales.
- o > Partner tax distribution is estimated at 40% of Net Income. Assumes distributions paid following year.

8 **For Projected Income Statement:**

- a > Total COS increases due to margin pressures in each market. COS each market is estimated as follows:

	2005	2006	2007	2008	2009	2010
Houston	79%	80%	81%	81%	82%	82%
Atlanta	88%	88%	88%	88%	88%	88%
Dallas	93%	87%	88%	87%	87%	87%
Phoenix	82%	82%	83%	84%	84%	84%
Charlotte		86%	87%	87%	86%	86%
San Antonio		85%	85%	85%	85%	85%
Acquisition #1			88%	87%	87%	86%
Acquisition #2					88%	87%
Total	78%	80%	82%	82%	83%	83%

- b > Operating Expenses decrease as % of Revenue to 9.1% , which is consistent with industry peers
Operating expenses increase 7.5% per year of established operation and 10% for 1ST 2 yrs start up
- c > Profit Participation for 2005 was 19.50% of operating income. We anticipate a capping profit participation at \$8 million / year beginning in 2008.
- d > See Interest Calculation schedule. Assumes Interest in COGS = 50% of prior year's interest incurred.
Assumes Interest Exp = 40% of current year's Interest Incurred.

ROYCE
ACTUAL AND PROJECTED COMBINED BALANCE SHEETS
DECEMBER 31, 2005, 2006, 2007, 2008, 2009, 2010

CONFIDENTIAL	ACTUAL		PROJECTED				Ref.
	2005	2006	2007	2008	2009	2010	
DELIVERIES	1,693	1,880	2,520	2,095	3,470	3,945	
ASSETS							
Cash and Cash equivalents	\$ 1,564	\$ -	\$ -	\$ -	\$ -	\$ -	
Receivables	10,957	6,392	8,810	10,781	13,802	16,704	7b
Prepaid Expenses	2,594	2,828	4,036	4,939	6,323	7,653	7c
Work In Process	108,026	120,077	163,819	191,819	237,920	278,636	7d
Completed Lots	34,793	29,230	37,060	45,736	57,578	77,239	7e
Development Lots	41,007	45,168	49,619	54,581	60,039	66,043	7f
Total Inventory	184,726	194,415	251,306	292,136	355,537	421,918	
Capital Lease	5,088	5,088	5,088	5,088	5,088	5,088	
Cap. Lease, Accum Deprec	(1,412)	(1,765)	(2,118)	(2,471)	(2,823)	(3,176)	
Cap Lease, Net	3,676	3,323	2,971	2,618	2,265	1,912	
Property & equipment	4,880	5,249	5,569	5,928	6,331	6,786	7g
PP&E, Accum. Deprec	(1,719)	(2,102)	(2,533)	(3,000)	(3,529)	(4,109)	
PP&E, Net	3,161	3,147	3,036	2,927	2,803	2,677	
Land Deposits and other assets	3,810	4,010	5,184	6,026	7,333	8,703	7h
Total assets	\$ 210,489	\$ 214,215	\$ 275,343	\$ 319,427	\$ 388,062	\$ 459,566	

LIABILITIES

Accounts Payable	17,743	19,560	26,585	31,246	38,755	45,388	7i
Notes Payable	1,300	1,300	1,300	-	-	-	7j
Interim Finance	127,916	125,681	165,051	170,741	189,880	210,643	7k
Capital Lease	4,654	4,475	4,251	3,991	3,691	3,345	7l
Accrued Liabilities	10,946	11,520	14,882	17,311	21,056	25,001	7m
Earnest Money Deposits	1,028	1,161	1,600	1,958	2,507	3,034	7n
Total liabilities	\$ 163,587	\$ 163,698	\$ 213,778	\$ 225,247	\$ 265,009	\$ 287,411	

EQUITY

Partners Equity	20,542	46,902	50,518	61,564	94,180	132,153	
Net Income - Current Year	26,360	24,716	30,933	44,989	55,968	62,390	
Partner Distribution		(10,000)	(10,000)				
Partners' Tax Distributions		(11,100)	(9,886)	(12,373)	(17,996)	(22,387)	7o
Total Equity	\$ 46,902	\$ 50,518	\$ 61,564	\$ 94,180	\$ 132,153	\$ 172,156	
Total Liabilities & Equity	\$ 210,489	\$ 214,215	\$ 275,343	\$ 319,427	\$ 388,062	\$ 459,566	

Gross Gearing (Liab / Equity) <4:1	3.49	3.24	3.47	2.38	1.94	1.67	
Net Gearing (Int Fin + Debt / Equity) <3:1	2.83	2.58	2.75	1.86	1.46	1.24	
Long-term Debt to Equity	0.10	0.09	0.07	0.04	0.03	0.02	
Fixed Charge Ratio (EBITDA / Interest Exp) >2:1	4.67	3.68	3.78	4.40	4.91	4.94	
Debt / Tangible Net Worth (Debt/Equity less GW) <3:1	2.83	2.56	2.76	1.86	1.46	1.24	
Debt / EBITDA	3.83	3.70	3.88	2.83	2.70	2.68	
Return on Average Assets	14%	12%	13%	15%	16%	15%	
Return on Average Equity	73%	61%	66%	68%	49%	41%	

Receivables as % of Revenue (hist .5 - 7%, TTM Avg)	4%	2%	2%	2%	2%	2%	7b
Prepaid Expenses as % of TTM Revenue (TTM Avg)	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	7c
WIP Inventory Turnover (COGS/WIP) (hist 2-2.2, TTI)	2.03	2.13	2.20	2.30	2.40	2.50	7d
Lots Owned as % of Assets - Calc (hist 13-18%)	17%	14%	14%	14%	15%	17%	7e
Development Lots as % of Revenue - Calc	13%	14%	11%	10%	9%	8%	7f
Land Deposits and Other as % of Inventory	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	7h
Trade A/P as % WIP (hist 13%)	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	7i
Accrued Liabilities as % of Invoy (hist 6%)	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	7m
Earnest Money as % of Rev	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	7n

ROYCE
ACTUAL AND PROJECTED COMBINED INCOME STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2005, 2006, 2007, 2008, 2009, 2010

	ACTUAL	PROJECTED					Ref
	2005	2006	2007	2008	2009	2010	
CONFIDENTIAL							
DELIVERIES	1,683	1,880	2,520	2,895	3,470	3,945	
(In \$000s)							
Revenue	\$ 283,071	\$ 319,586	\$ 440,523	\$ 539,048	\$ 690,082	\$ 835,211	
Total Cost of Sales	221,100	255,764	360,403	441,184	571,008	696,590	
COS %	78.1%	80.0%	81.8%	81.8%	82.7%	83.4%	8a
Gross Profit	61,971	63,822	80,120	97,864	119,074	138,621	
Gross Profit %	21.9%	20.0%	18.2%	18.2%	17.3%	16.6%	
Operating Expenses Pre-PP	29,225	32,827	41,454	44,875	55,105	68,231	
Operating Expenses Pre-PP%	10.3%	10.3%	9.4%	8.3%	8.0%	8.2%	
Operating Income	32,746	30,995	38,666	52,989	63,968	70,390	
Operating Income %	11.6%	9.7%	8.8%	9.8%	9.3%	8.4%	
Profit Participation	6,386	6,280	7,733	8,000	8,000	8,000	8c
As % of Operating Income	19.5%	20.3%	20.0%	15.1%	12.5%	11.4%	
Operating Expenses	35,611	39,106	49,187	52,875	63,105	76,231	
Operating Expenses %	12.6%	12.2%	11.2%	9.8%	9.1%	9.1%	8b
Net Income	26,360	24,716	30,933	44,989	55,968	62,390	
Net Income %	9.3%	7.7%	7.0%	8.3%	8.1%	7.5%	
Reconciliation to EBITDA							
Plus:							
Interest, Not	7,400	9,572	11,540	13,545	14,633	16,154	8d
Depreciation/Amortization	818	916	1,116	1,116	1,216	1,216	
EBITDA	\$ 34,579	\$ 35,204	\$ 43,588	\$ 59,650	\$ 71,817	\$ 79,760	
EBITDA %	12.2%	11.0%	9.9%	11.1%	10.4%	9.5%	

ROYCE

COMBINED ORGANIC EBITDA (excludes acquisitions)

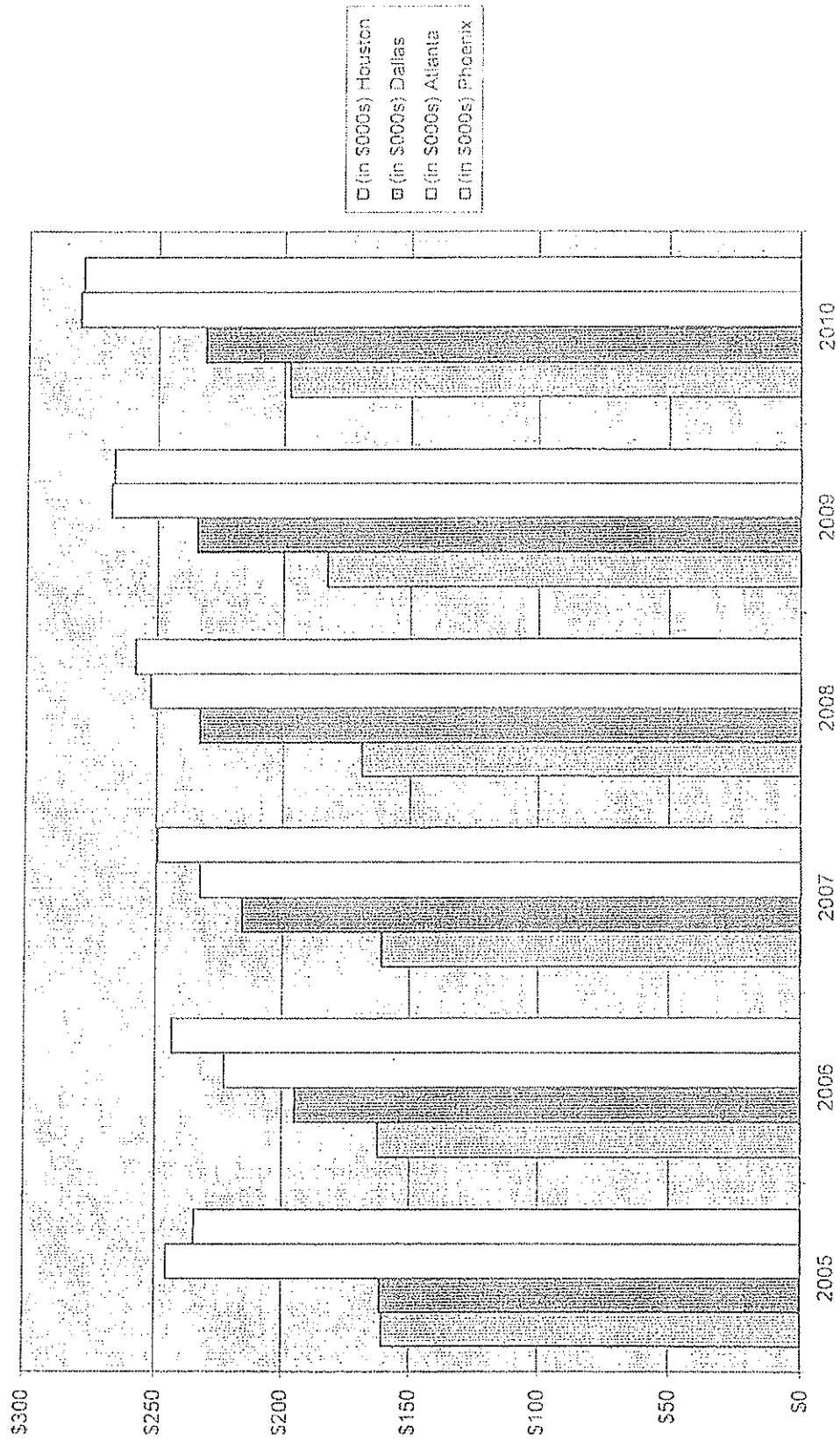
ACTUAL 2005 and PROJECTED 2006 Through 2010

CONFIDENTIAL	Actual	Projected				
	2005	2006	2007	2008	2009	2010
<u>Deliveries - Organic</u>	1,690	1,880	2,320	2,670	3,020	3,420
<u>(In \$000s)</u>						
<u>Income Statement</u>						
Revenue	\$ 283,071	\$ 319,586	\$ 412,974	\$ 513,172	\$ 620,592	\$ 745,598
Total Cost of Sales	221,100	255,764	337,224	420,600	512,520	620,786
Gross Profit	61,971	63,822	75,750	92,572	108,072	124,812
Gross Profit %	21.9%	20.0%	18.3%	18.0%	17.4%	16.7%
Operating Expenses-Pre PP	29,225	32,827	37,958	40,804	46,497	57,481
Operating Expenses -Pre PP%	10.3%	10.3%	9.2%	8.0%	7.5%	7.7%
Operating Income	32,746	30,995	37,792	51,768	61,575	67,330
Operating Income %	11.6%	9.7%	9.2%	10.1%	9.9%	9.0%
Profit Participation	6,386	6,280	7,558	7,816	7,701	7,652
Profit Part. as % of Oper. Income	20%	20%	20%	15%	13%	11%
Operating Expenses	35,611	39,106	45,516	48,620	54,197	65,134
Operating Expenses %	13%	12%	11%	9%	9%	9%
Net Income	26,360	24,716	30,234	43,952	53,875	59,678
Net Income %	9%	8%	7%	9%	9%	8%
<u>Reconciliation to EBITDA</u>						
Interest	7,400	9,572	10,639	12,549	12,884	14,214
Depreciation/Amortization	817	916	1,016	1,016	1,016	1,016
EBITDA	\$ 34,578	\$ 35,204	\$ 41,888	\$ 57,517	\$ 67,774	\$ 74,908
EBITDA %	12.2%	11.0%	10.1%	11.2%	10.9%	10.0%

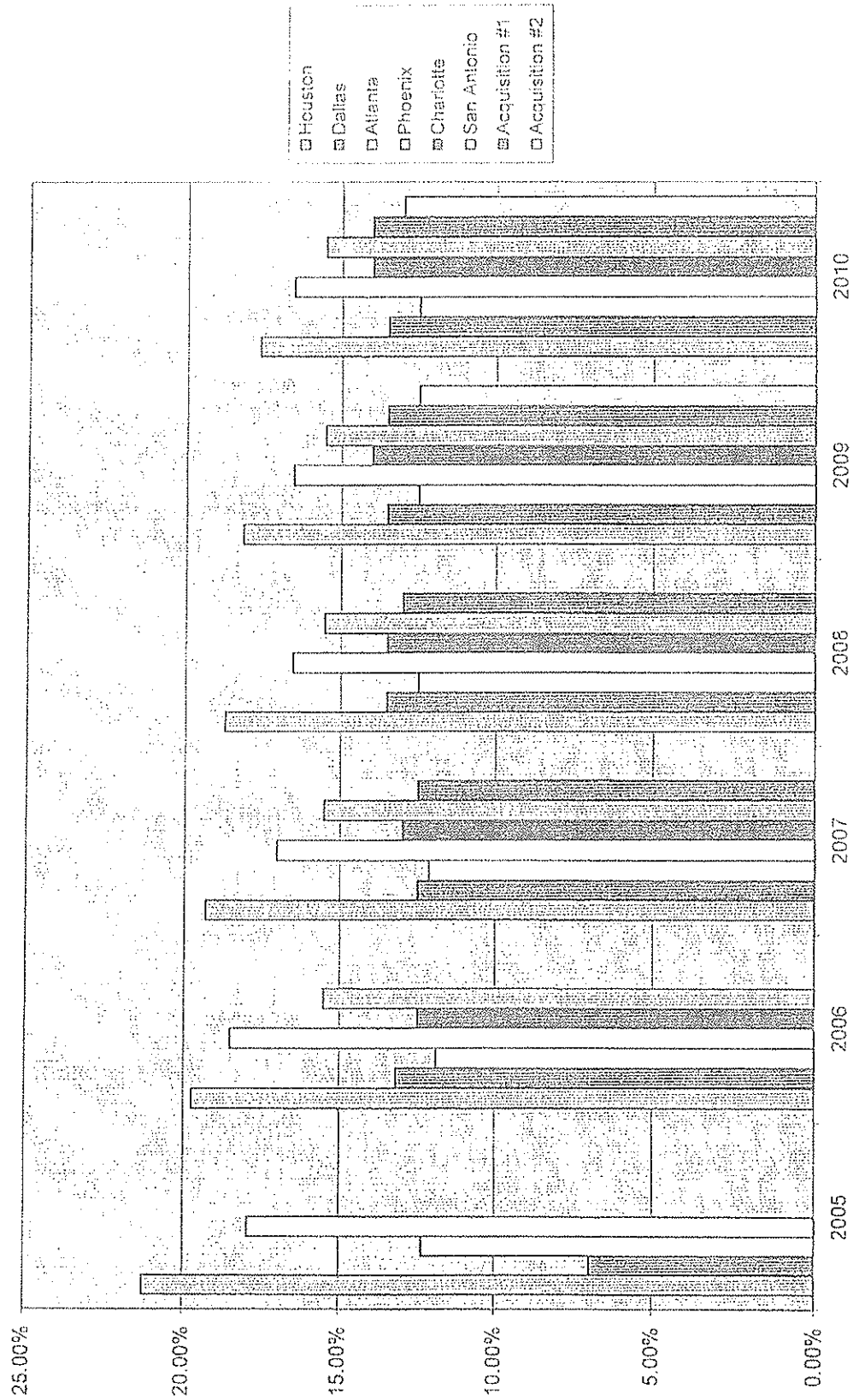
ROYCE
ACTUAL AND PROJECTED COMBINED STATEMENT OF CASH FLOWS
DECEMBER 31, 2005, 2006, 2007, 2008, 2009, 2010

	PROJECTED				
	2006	2007	2008	2009	2010
CONFIDENTIAL					
DELIVERIES	1,880	2,520	2,895	3,470	3,945
CASH FLOWS FROM OPERATIONS					
Net Income	\$ 24,716	\$ 30,933	\$ 44,969	\$ 55,968	\$ 62,390
Plus Depreciation, PP&E	383	431	467	528	580
Plus Depreciation, Capital Lease	353	353	353	353	353
(Increase) Decrease in A/R	4,566	(2,419)	(1,971)	(3,021)	(2,903)
(Increase) Decrease in Prepaids	(335)	(1,108)	(903)	(1,384)	(1,330)
(Increase) Decrease in WIP	(11,151)	(43,742)	(28,000)	(46,101)	(40,716)
(Increase) Decrease in Completed Lots	5,563	(8,638)	(7,868)	(11,842)	(19,661)
(Increase) Decrease in Development Lots	(4,101)	(4,511)	(4,962)	(5,458)	(6,004)
(Increase) Decrease in Deposits & Other	(200)	(1,173)	(842)	(1,308)	(1,369)
Increase (Decrease) in A/P	1,816	7,125	4,561	7,510	6,632
Increase (Decrease) in N/P	-	-	(1,300)	-	-
Increase (Decrease) in Accrued Liab	574	3,371	2,419	3,757	3,934
Increase (Decrease) in Earnest Money Dep	133	439	358	549	527
Increase (Decrease) in Capital Lease Liab	(178)	(225)	(260)	(300)	(346)
Cash Flows from (used in) Operations	\$ 22,139	\$ (19,164)	\$ 7,042	\$ (748)	\$ 2,087
CASH FLOWS FROM INVESTING ACTIVITIES					
(Increase) Decrease in PP&E, Gross	(369)	(320)	(359)	(404)	(454)
Cash Flows from (used in) Investing Activities	\$ (369)	\$ (320)	\$ (359)	\$ (404)	\$ (454)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (Decrease) in Interim Finance	(2,235)	39,370	5,690	19,148	20,755
Less Partner Distribution	(10,000)	(10,000)	-	-	-
Less Tax Distribution PY	(11,100)	(9,886)	(12,373)	(17,996)	(22,387)
Cash Flows from (used in) Financing Activities	\$ (23,335)	\$ 19,483	\$ (6,683)	\$ 1,152	\$ (1,633)
Change in Cash	(1,564)	0	(0)	0	(0)
Beginning Cash Balance	1,564	-	-	-	-
Ending Cash Balance	0	0	(0)	0	(0)

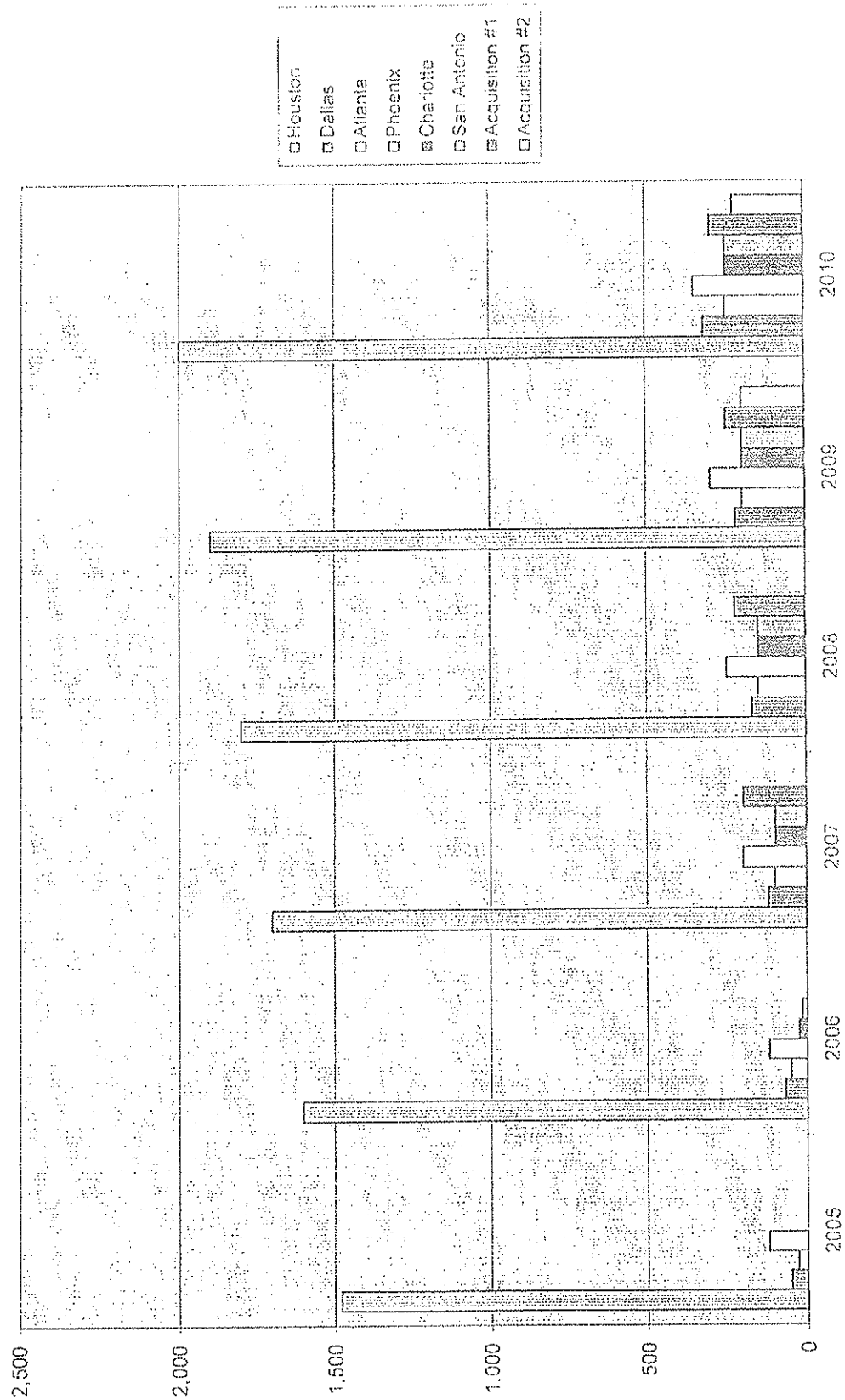
Sales Prices - 5 Yr Projections by Market
(Dollars in thousands)



Gross Profit % -5 Yr Projection by Market



Unit Growth-5 Year Projections by Market



ROYCE - HOMEBUILDER ONLY
SUMMARY OF UNIT GROWTH - ORGANIC AND VIA ACQUISITION
ACTUAL 2005 and PROJECTED 2006 Through 2010

CONFIDENTIAL

(in units)

<u>Deliveries in Core Markets</u>	2005	2006	2007	2008	2009	2010
Houston	1,480	1,600	1,700	1,800	1,900	2,000
Dallas	52	70	120	170	220	320
Atlanta	29	50	100	150	200	250
Phoenix	122	120	200	250	300	350
Subtotal Core	1,683	1,840	2,120	2,370	2,620	2,920
Annual Growth		9%	15%	12%	11%	11%
Plus: Deliveries from Land Acquisitions						
Charlotte		25	100	150	200	250
San Antonio		15	100	150	200	250
Subtotal Internal Growth	0	40	200	300	400	500
Annual Growth			400%	50%	33%	25%
Total Organic	1,683	1,880	2,320	2,670	3,020	3,420
Annual Growth		12%	23%	15%	13%	13%
Plus: Deliveries from Acquisitions						
Acquisition #1			200	225	250	300
Acquisition #2					200	225
Total Acquisitions	0	0	200	225	450	525
Grand Total Units Delivered	1,683	1,880	2,520	2,895	3,470	3,945
Annual Growth		12%	34%	15%	20%	14%

ROYCE - HOMEBUILDER ONLY
SUMMARY OF REVENUE GROWTH - ORGANIC AND VIA ACQUISITION
ACTUAL 2005 and PROJECTED 2006 Through 2010

(in \$000s)	2005	2006	2007	2008	2009	2010
Revenue from Core Markets						
Houston	237,547	259,651	273,489	304,129	347,054	395,900
Dallas	8,395	13,646	25,911	39,628	51,581	74,046
Atlanta	7,120	11,150	23,267	37,879	53,542	70,022
Phoenix	28,623	29,214	49,840	64,600	80,046	97,647
Subtotal Core	281,685	313,661	372,507	446,235	532,223	637,616
Annual Growth		11%	19%	20%	19%	20%
Plus: Revenue from Land Acquisitions						
Charlotte		4,125	17,078	26,513	36,588	47,335
San Antonio		1,800	15,976	25,591	37,003	48,506
Subtotal Internal Growth	0	5,925	33,054	52,104	73,591	95,842
Annual Growth			458%	58%	41%	30%
Total Organic	281,685	319,586	405,561	498,339	605,814	733,458
Annual Growth		13%	27%	23%	22%	21%
Plus: Revenue from Acquisitions						
Acquisition #1			34,962	40,709	46,815	58,145
Acquisition #2					37,452	43,609
Total Acquisitions	0	0	34,962	40,709	84,268	101,753
Grand Total Revenue	281,685	319,586	440,523	539,048	690,082	835,211
Annual Growth		13%	38%	22%	28%	21%

ROYCE - HOMEBUILDER ONLY
SUMMARY OF INTERNAL SALES PRICE GROWTH
ACTUAL 2005 and PROJECTED 2006 Through 2010

(in \$000s)

<u>Avg Sales Prices</u>	2005	2006	2007	2008	2009	2010
Houston	161	162	161	169	183	198
Dallas	161	195	216	233	234	231
Atlanta	246	223	233	253	268	280
Phoenix	235	243	249	258	267	279
Total Weighted Average Core	167	170	176	188	203	218
Annual Growth		2%	3%	7%	8%	7%
New Internal Growth Markets						
Charlotte		165	171	177	183	189
San Antonio		120	160	171	185	194
Total Weighted Average Internal Growth		148	165	174	184	192
Annual Growth			12%	5%	6%	4%
Weighted Average of Total Organic	167	170	175	187	201	214
Annual Growth		2%	3%	7%	7%	7%
Plus: Deliveries from Acquisitions						
Acquisition #1			175	181	187	194
Acquisition #2					187	194
Total Acquisitions	0	0	175	181	375	388
Grand Total Weighted Average	167	170	175	187	201	214
Annual Growth		2%	3%	7%	7%	7%

ROYCE - HOMEBUILDER ONLY
SUMMARY OF GROSS PROFIT PERCENTAGES
ACTUAL 2005 and PROJECTED 2006 Through 2010

Gross Profits in Core Markets	2005	2006	2007	2008	2009	2010
Houston	21.28%	19.75%	19.31%	18.70%	18.14%	17.61%
Dallas	6.99%	13.18%	12.50%	13.50%	13.50%	13.50%
Atlanta	12.35%	11.89%	12.14%	12.50%	12.50%	12.50%
Phoenix	17.94%	18.50%	17.00%	16.50%	16.50%	16.50%
New Internal Growth Markets						
Charlotte		12.50%	13.00%	13.50%	14.00%	14.00%
San Antonio		15.50%	15.50%	15.50%	15.50%	15.50%
Acquisitions						
Acquisition #1			12.50%	13.00%	13.50%	14.00%
Acquisition #2					12.50%	13.00%
Grand Total Weighted Average	21.89%	19.97%	18.34%	18.04%	17.41%	16.74%
Annual Growth		-8.78%	-8.15%	-1.65%	-3.46%	-3.87%

ROYCE
COMBINED EBITDA
ACTUAL 2005

CONFIDENTIAL	Houston	Atlanta	Dallas	Phoenix	Total Home Building	Land	Models	Total	Elim.	Total
	1,480	29	52	122	1,683	N/A	7	1,690		1,690
Homes Closed										
Income Statement										
Revenue	237,547	7,120	8,395	28,623	281,685	10,959	2,113	294,757	-11,687	283,071
Total Cost of Sales	187,003	6,240	7,808	23,489	224,541	5,027	1,496	231,063	-9,963	221,100
Gross Profit	50,544	880	587	5,134	57,144	5,933	618	63,695	-1,724	61,971
Gross Profit %	21.3%	12.4%	7.0%	17.9%	20.3%	54.1%	29.2%	21.6%		21.9%
Operating Expenses-Pre PP	23,654	653	2,047	1,122	27,476	2,509	297	30,283	-1,058	29,225
Operating Expenses -Pre PP%	10.0%	9.2%	24.4%	3.9%	9.8%	22.9%		10.3%		
Operating Income	26,890	227	-1,461	4,012	29,668	3,424	320	33,412	-666	32,746
Operating Income %	11.3%	3.2%	-17.4%	14.0%	10.5%	31.2%		11.3%		11.6%
Profit Participation	5,525	15	14	189	5,743	643	0	6,386	0	6,386
Profit Part. as % of Oper. Income	21%	7%	-1%	5%	19%	19%		19%		20%
Operating Expenses	29,179	668	2,061	1,311	33,219	3,152	297	36,669	-1,058	35,611
Operating Expenses %	12.3%	9.4%	24.6%	4.6%	11.8%	28.8%	14.1%	12.4%		12.6%
Net Income	21,365	212	-1,475	3,823	23,925	2,781	320	27,026	-666	26,360
Net Income %	9.0%	3.0%	-17.6%	13.4%	8.5%	25.4%	15.2%	9.2%		9.3%
Reconciliation to EBITDA										
Interest	5,083	248	1,053	92	6,477	100	647	7,223	177	7,400
Depreciation/Amortization	777	4	8	8	797	20		817	1	818
EBITDA	27,225	464	-413	3,923	31,199	2,900	967	35,066	-488	34,579
EBITDA %	11.5%	6.5%	-4.9%	13.7%	11.1%	26.5%	45.8%	11.9%		12.2%

ROYCE
COMBINED EBITDA
PROJECTED 2006

<u>CONFIDENTIAL</u>	Houston	Atlanta	Dallas	Phoenix	Core Subtotal	Growth Charlotte	Growth San Antonio	Total Organic Homebuilding	Land	Elim	Total
<u>Homes Closed</u>	1,500	50	70	120	1,840	25	15	1,880	N/A		1,880
<u>Income Statement</u>											
Revenue	259,651	11,150	13,646	29,214	313,661	4,125	1,800	319,586	6,456	-6,456	319,586
Total Cost of Sales	208,379	9,824	11,848	23,810	253,861	3,609	1,521	258,992	3,228	-6,456	255,764
Gross Profit	51,272	1,326	1,798	5,404	59,800	516	279	60,594	3,228	0	63,822
Gross Profit %	19.7%	11.9%	13.2%	18.5%	19.1%	12.5%	15.5%	19.0%	50.0%		20.0%
Operating Expenses-Pre PP	25,428	702	2,201	1,206	29,537	413	180	30,129	2,697		32,827
Operating Expenses-Pre PP %	9.8%	6.3%	16.1%	4.1%	9.4%	10.0%	10.0%	9.4%	41.8%		8.5%
Operating Income	25,844	624	-403	4,198	30,263	103	99	30,465	530	0	30,995
Operating Income %	10.0%	5.6%	-3.0%	14.4%	9.6%	2.5%	5.5%	9.5%	8.2%		9.7%
Profit Participation	5,169	125	0	840	6,133	21	20	6,174	105	0	6,280
Profit Part. as % of Oper. Income	20.0%	20.0%	0.0%	20.0%	20.3%	20.0%	20.0%	20.3%	20.0%		20.3%
Operating Expenses	30,596	827	2,201	2,046	35,670	433	200	36,303	2,804		39,106
Operating Expenses %	11.8%	7.4%	16.1%	7.0%	11.4%	10.5%	11.1%	11.4%	43.4%		12.2%
Net Income	20,675	499	-403	3,358	24,130	83	79	24,291	424	0	24,716
Net Income %	8.0%	4.5%	-3.0%	11.5%	7.7%	2.0%	4.4%	7.6%	6.6%		7.7%
<u>Reconciliation to EBITDA</u>											
Interest	7,623	327	401	858	9,209	121	53	9,383	190		9,572
Depreciation/Amortization	777	4	9	8	798	50	50	898	18		916
EBITDA	29,075	831	7	4,224	34,137	254	182	34,572	632		35,204
EBITDA %	11.2%	7.5%	0.0%	14.5%	10.9%	6.1%	10.1%	10.8%	9.8%		11.0%

ROYCE
COMBINED EBITDA
PROJECTED 2007

<u>CONFIDENTIAL</u>	Houston	Atlanta	Dallas	Phoenix	Core Subtotal	Growth Charlotte	Growth San Antonio	Total Organic Homebuilding	Land	Total Organic	Acquis. #1	Elim	Grand Total
<u>Homes Closed</u>	1,700	100	120	200	2,120	100	100	2,320	N/A	2,320	200		2,520
<u>Income Statement</u>													
Revenue	273,489	23,267	25,911	49,840	372,507	17,078	15,976	405,561	7,413	412,974	34,962	-7,413	440,523
Total Cost of Sales	220,660	20,442	22,672	41,367	305,160	14,857	13,500	333,518	3,707	337,224	30,592	-7,413	360,403
Gross Profit	52,810	2,825	3,239	8,473	67,347	2,220	2,476	72,043	3,707	75,750	4,370		80,120
Gross Profit %	19.3%	12.1%	12.5%	17.0%	18.1%	13.0%	15.5%	17.8%	50.0%	18.3%	12.5%		18.2%
Operating Expenses-Pre PP	27,335	754	2,356	1,297	31,752	1,708	1,598	35,058	2,900	37,958	3,496		41,454
Operating Expenses-Pre PP %	10.0%	3.2%	9.1%	2.6%	9.5%	10.0%	10.0%	8.6%	39.1%	9.2%	10.0%		10.0%
Operating Income	25,475	2,071	873	7,176	35,594	512	879	36,985	807	37,792	874	0.0%	38,666
Operating Income %	9.3%	8.9%	3.4%	14.4%	9.6%	3.0%	5.5%	9.1%	10.9%	9.2%	2.5%		8.8%
Profit Participation	5,095	414	175	1,435	7,119	102	176	7,397	161	7,558	175		7,733
Profit Part. as % of Oper. Income	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%		20.0%
Operating Expenses	32,430	1,169	2,541	2,732	38,871	1,810	1,773	42,455	3,061	45,516	3,671		49,187
Operating Expenses %	11.9%	5.0%	9.8%	5.5%	10.4%	10.6%	11.1%	10.5%	41.3%	11.0%	10.5%		11.2%
Net Income	20,380	1,657	698	5,741	28,475	410	703	29,588	645	30,234	699	0.0%	30,933
Net Income %	7.5%	7.1%	2.7%	11.5%	7.6%	2.4%	4.4%	7.3%	8.7%	7.3%	2.0%		7.0%
<u>Reconciliation to EBITDA</u>													
Interest	7,046	599	668	1,284	9,596	440	412	10,448	191	10,639	901		11,540
Depreciation/Amortization	777	4	9	8	798	100	100	998	18	1,016	100		1,116
EBITDA	28,202	2,260	1,375	7,033	38,870	950	1,215	41,034	854	41,888	1,700		43,588
EBITDA %	10.3%	9.7%	5.3%	14.1%	10.4%	5.6%	7.6%	10.1%	11.5%	10.1%	4.9%		9.9%

ROYCE
COMBINED EBITDA
PROJECTED 2008

	Houston	Atlanta	Dallas	Phoenix	Core Subtotal	Growth Charlotte	Growth San Antonio	Total Organic Homebuilding	Land	Total Organic	Acquis. #1	Elim	Grand Total
Homes Closed	1,800	150	170	250	2,370	150	150	2,670	N/A	2,670	225		2,895
Income Statement Revenue	304,129	37,879	39,628	64,600	446,235	25,513	25,551	458,339	14,833	513,172	40,709	-14,833	539,048
Total Cost of Sales	247,263	33,144	34,278	53,941	368,625	22,934	21,625	413,184	7,417	420,600	35,417	-14,833	441,184
Gross Profit	56,866	4,735	5,350	10,659	77,610	3,579	3,927	85,155	7,417	92,572	5,292		97,864
Gross Profit %	18.7%	12.5%	13.5%	16.5%	17.4%	13.5%	15.5%	17.1%	50.0%	18.0%	13.0%		18.2%
Operating Expenses-Pre PP	29,385	811	2,543	1,394	34,134	1,856	1,717	37,687	3,117	40,804	4,071		44,875
Operating Expenses-Pre PP %	9.7%	2.1%	6.4%	2.2%	7.6%	6.9%	5.7%	7.6%	21.0%	8.0%	10.0%		8.3%
Operating Income	27,481	3,924	2,806	9,265	43,476	1,743	2,249	47,468	4,299	51,768	1,221	0.0%	52,989
Operating Income %	9.0%	10.4%	7.1%	14.3%	9.7%	6.6%	8.8%	9.5%	29.0%	10.1%	3.0%		9.8%
Profit Participation	4,149	592	424	1,399	6,564	253	340	7,167	649	7,816	184		8,000
Profit Part as % of Oper. Income	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%		15.1%
Operating Expenses	33,534	1,403	2,967	2,793	40,698	2,099	2,057	44,854	3,766	48,620	4,255	0	52,875
Operating Expenses %	11.0%	3.7%	7.5%	4.3%	9.1%	7.9%	8.0%	9.0%	25.4%	9.5%	10.5%		9.8%
Net Income	23,332	3,331	2,383	7,865	36,912	1,480	1,910	40,302	3,650	43,952	1,037	0.0%	44,989
Net Income %	7.7%	8.8%	6.0%	12.2%	8.3%	5.6%	7.5%	8.1%	24.6%	8.6%	2.5%		6.3%
Reconciliation to EBITDA													
Interest	7,437	926	969	1,590	10,912	648	626	12,187	363	12,549	995		13,545
Depreciation/Amortization	777	4	9	8	798	100	100	998	18	1,016	100		1,116
EBITDA	31,546	4,262	3,361	9,454	48,622	2,229	2,635	53,486	4,031	57,517	2,132		59,650
EBITDA %	10.4%	11.3%	8.5%	14.6%	10.9%	8.4%	10.3%	10.7%	27.2%	11.2%	5.2%		11.1%

ROYCE
COMBINED EBITDA
PROJECTED 2009

CONFIDENTIAL	Houston	Atlanta	Dallas	Phoenix	Core Subtotal	Growth Charlotte	Growth San Antonio	Total Organic Homebuilding	Land	Total Organic	Acquis. #1	Acquis. #2	Elim	Grand Total
	1,900	200	220	300	2,520	200	200	3,020	N/A	3,020	250	200		3,470
Income Statement Revenue	347,054	53,542	51,561	80,046	532,223	36,588	37,003	605,814	14,778	620,592	46,815	37,452	-14,778	690,062
Total Cost of Sales	284,093	46,849	44,518	66,038	442,398	31,485	31,266	505,131	7,389	512,520	40,495	32,771	-14,778	571,008
Gross Profit	62,961	6,693	5,963	13,208	89,825	5,122	5,735	100,683	7,389	108,072	6,320	4,682		119,074
Gross Profit %	18.1%	12.5%	13.5%	16.5%	16.9%	14.0%	15.5%	16.6%	50.0%	17.4%	13.5%	12.5%		17.3%
Operating Expenses-Pre PP	33,484	924	2,598	1,989	38,696	2,092	1,957	42,944	3,552	46,497	4,639	3,970		55,105
Operating Expenses-Pre PP %	9.6%	1.7%	5.6%	2.0%	7.3%	5.7%	5.3%	7.1%	24.0%	7.5%	9.9%	10.6%		8.0%
Operating Income	29,477	5,769	4,065	11,619	50,930	3,030	3,778	57,738	3,637	61,575	1,681	712	0	63,968
Operating Income %	8.5%	10.8%	7.9%	14.5%	9.6%	6.3%	10.2%	9.5%	25.0%	9.9%	3.6%	1.9%		9.3%
Profit Participation	3,685	721	508	1,453	6,368	379	473	7,221	480	7,701	210	88		8,000
Profit Part. as % of Oper. Income	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%		12.5%
Operating Expenses	37,171	1,646	3,407	3,042	45,265	2,471	2,430	50,165	4,032	54,197	4,849	4,059		63,105
Operating Expenses %	10.7%	3.1%	6.6%	3.8%	8.5%	6.8%	5.6%	8.3%	27.3%	8.7%	10.4%	10.8%		9.1%
Net Income	25,791	5,047	3,557	10,166	44,560	2,651	3,306	50,513	3,357	53,875	1,471	623	0	55,960
Net Income %	7.4%	9.4%	6.9%	12.7%	5.4%	7.2%	8.9%	8.3%	22.7%	8.7%	3.1%	1.7%		8.1%
Reconciliation to EBITDA														
Add Back:														
Interest	7,205	1,112	1,071	1,662	11,049	760	768	12,577	307	12,884	972	778		14,633
Depreciation/Amortization	777	4	9	8	798	100	100	998	18	1,016	100	100		1,215
EBITDA	33,773	6,163	4,637	11,835	55,407	3,511	4,174	64,092	3,682	67,774	2,543	1,500		71,817
EBITDA %	9.7%	11.5%	9.0%	14.8%	10.6%	9.6%	11.3%	10.6%	24.9%	10.9%	5.4%	4.0%		10.4%

ROYCE
COMBINED EBITDA
PROJECTED 2010

	Houston	Atlanta	Dallas	Phoenix	Core Subtotal	Growth Charlotte	Growth San Antonio	Total Organic Homebuilding	Land	Total Organic	Acquis. #1	Acquis. #2	Elim	Grand Total
Homes Closed	2,000	250	320	350	2,920	250	250	3,420	N/A	3,420	300	225		3,945
Income Statement Revenue	395,900	70,022	74,046	97,647	637,616	47,335	48,508	733,458	12,140	745,598	58,145	43,609	-12,140	835,211
Total Cost of Sales	326,165	61,269	64,050	81,536	533,020	40,708	40,988	614,716	6,070	620,786	50,004	37,939	-12,140	695,590
Gross Profit	69,736	8,753	9,996	16,112	104,596	6,627	7,518	118,742	6,070	124,812	8,140	5,669		139,621
Gross Profit %	17.6%	12.5%	13.5%	16.5%	16.4%	14.0%	15.5%	16.2%	50.0%	16.7%	14.0%	13.0%		16.6%
Operating Expenses-Pre PP	41,395	1,143	3,583	1,964	48,065	2,585	2,419	53,090	4,391	57,481	5,735	5,015		68,231
Operating Expenses-Pre PP %	10.5%	1.6%	4.8%	2.0%	7.5%	5.5%	5.0%	7.2%	36.2%	7.7%	9.9%	11.5%		8.2%
Operating Income	28,341	7,610	6,413	14,147	56,512	4,041	5,099	65,652	1,679	67,330	2,406	654	0	70,390
Operating Income %	7.2%	10.9%	8.7%	14.5%	8.9%	8.5%	10.5%	9.0%	13.8%	9.0%	4.1%	1.5%		8.4%
Profit Participation	3,221	865	729	1,808	6,423	459	580	7,461	191	7,652	273	74		8,000
Profit Part. as % of Oper. Income	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%	11.4%		11.4%
Operating Expenses	44,616	2,007	4,312	3,572	54,507	3,045	2,999	60,552	4,582	65,134	6,008	5,089		76,231
Operating Expenses %	11.3%	2.9%	5.8%	3.7%	8.5%	6.4%	6.2%	8.3%	37.7%	8.7%	10.3%	11.7%		9.1%
Net Income	25,120	6,745	5,684	12,540	50,089	3,582	4,520	58,190	1,488	59,678	2,132	580	0	62,390
Net Income %	6.3%	9.6%	7.7%	12.8%	7.9%	7.6%	9.3%	7.9%	12.3%	8.0%	3.7%	1.3%		7.5%
Reconciliation to EBITDA														
Interest	7,548	1,335	1,412	1,862	12,156	902	925	13,983	231	14,214	1,108	831		15,154
Depreciation/Amortization	777	4	9	8	798	100	100	998	18	1,016	100	100		1,216
EBITDA	33,444	8,084	7,105	14,409	63,043	4,584	5,544	73,171	1,737	74,908	3,341	1,511		79,760
EBITDA %	8.4%	11.5%	9.6%	14.8%	9.9%	9.7%	11.4%	10.0%	14.3%	10.0%	5.7%	3.5%		9.5%

ROYCE

PROFORMA COMPLETED LOTS - Balance Sheet
DECEMBER 31, 2005, 2006, 2007, 2008, 2009, 2010

(In units)	ACTUAL	PROJECTED					Assumes
	2005	2006	2007	2008	2009	2010	25% Next Year's Closings Owned by HB
CONFIDENTIAL							Months Supply of Lots of HB 3
Houston	580	425	450	475	500	525	
Dallas	151	30	43	55	80	118	
Atlanta	81	25	38	50	63	100	
Phoenix	3	50	63	75	88	125	
Total Core	815	530	593	655	730	868	
Charlotte		25	38	50	63	100	
San Antonio		25	38	50	63	100	
Total Organic HB	815	580	668	755	855	1,068	Assumes 10% growth in PLC lots/yr
PLC	326	359	394	434	477	525	
Total	1,141	939	1,062	1,189	1,332	1,593	
Acquis #1 - 2007			56	63	75	113	
Acquis #2 - 2009					56	94	
Grand Total	1,141	939	1,118	1,251	1,464	1,799	

# Deliveries in Following Year	1,880	2,520	2,896	3,470	3,945
Lots Owned as % of FY					
Deliveries	61%	37%	39%	36%	37%
Months Supply of Lots	7.3	4.5	4.6	4.3	4.5

(in \$000s)	ACTUAL	PROJECTED				
	2005	2006	2007	2008	2009	2010
UPDATED APRIL 21, 2006						
Houston	16,367	12,833	14,539	16,421	18,495	20,779
Dallas	5,527	1,175	1,781	2,466	3,838	6,032
Atlanta	4,507	1,489	2,389	3,408	4,559	7,805
Phoenix	146	2,603	3,482	4,471	5,581	8,531
Total Core	26,547	18,100	22,191	26,766	32,473	43,147
Charlotte		825	1,324	1,889	2,527	4,326
San Antonio		600	963	1,374	1,838	3,146
Total Organic HB	26,547	19,525	24,478	30,029	36,837	50,618
Land	8,246	9,705	11,423	13,445	15,825	18,626
Total	34,793	29,230	35,901	43,474	52,662	69,244
Acquis #1 - 2007			1,967	2,262	2,809	4,361
Acquis #2 - 2009			-	-	2,107	3,634
Grand Total	\$ 34,793	\$ 29,230	\$ 37,868	\$ 45,736	\$ 57,578	\$ 77,239

AVG PRICE/LOT OWNED (in \$000s)	ACTUAL	PROJECTED					Assumes
	2005	2006	2007	2008	2009	2010	7% Price Accelerators.
UPDATED APRIL 21, 2006							
Houston	28.219	30.195	32.308	34.570	36.990	39.579	
Dallas	36.601	39.163	41.905	44.838	47.977	51.335	
Atlanta	55.647	59.542	63.710	68.170	72.942	78.048	
Phoenix	48.662	52.068	55.713	59.613	63.786	68.251	
Total Core	32.573	34.150	37.453	40.864	44.484	49.737	
Charlotte		33.000	35.310	37.782	40.426	43.256	Est @ 20%
San Antonio		24.000	25.680	27.478	29.401	31.459	Avg SP
Total Organic HB	32.573	33.663	36.671	39.774	43.085	47.418	
Land	25.294	27.064	28.959	30.986	33.155	35.476	
Wt Avg Total Organic Lot Price	30.493	31.142	33.806	36.566	39.527	43.481	
Acquis #1 - 2007			34.962	36.186	37.452	38.763	
Acquis #2 - 2009			-	-	37.452	38.763	
Wt Avg Grand Total Lot Price	30.493	31.142	33.865	36.547	39.341	42.940	

ROYCE
PROFORMA FIXED ASSET SCHEDULE
DECEMBER 31, 2005, 2006, 2007, 2008, 2009, 2010

	ACTUAL	PROJECTED					Ref
	2005	2006	2007	2008	2009	2010	
CONFIDENTIAL							
DELIVERIES	1,683	1,880	2,520	2,895	3,470	3,945	
PP&E, Gross							
Houston	4,662	4,067	5,134	5,407	5,706	6,036	
Dallas	47	57	68	82	98	118	
Atlanta	21	26	31	37	44	53	
Phoenix	60	72	87	104	125	150	
Total Core	4,791	5,042	5,320	5,629	5,973	6,356	
Charlotte		50	60	72	86	104	
San Antonio		50	60	72	86	104	
Total Organic HB	4,791	5,142	5,440	5,773	6,146	6,564	
Land	89	107	129	154	165	222	
Total PP&E, Gross	4,880	5,249	5,669	5,928	6,331	6,786	6d
Acquis #1 - 2007			100	120	144	173	6d
Acquis #2 - 2009					100	120	
Grand Total PP&E, Gross	4,880	5,249	5,669	6,048	6,575	7,079	
PP&E, Additions							
Houston		225	248	272	299	329	
Dallas		9	11	14	16	20	
Atlanta		4	5	6	7	9	
Phoenix		12	14	17	21	25	
Total Core		251	278	309	344	383	
Charlotte		50	10	12	14	17	
San Antonio		50	10	12	14	17	
Total Organic HB		351	298	333	373	417	
Land		18	21	26	31	37	
Total PP&E Additions		369	320	359	404	454	6d
Acquis #1 - 2007			100	20	24	29	6d
Acquis #2 - 2009			-	-	100	20	
Grand Total PP&E, Additions		369	420	379	528	503	
PP&E, Depreciation							
Houston		(326)	(342)	(360)	(380)	(402)	
Dallas		(8)	(10)	(12)	(14)	(17)	
Atlanta		(4)	(4)	(5)	(6)	(8)	
Phoenix		(10)	(12)	(15)	(18)	(21)	
Total Core		(348)	(368)	(392)	(419)	(448)	
Charlotte		(10)	(12)	(14)	(17)	(21)	
San Antonio		(10)	(12)	(14)	(17)	(21)	
Total Organic HB		(368)	(393)	(421)	(453)	(490)	
Land		(15)	(18)	(22)	(26)	(32)	
Total PP&E Depreciation		(383)	(411)	(443)	(480)	(521)	6d
Acquis #1 - 2007			(20)	(24)	(29)	(35)	6d
Acquis #2 - 2009			-	-	(20)	(24)	
Grand Total PP&E, Depreciation		(383)	(431)	(467)	(528)	(580)	
PP&E, Accumulated Depreciation							
Houston	(1,614)	(1,940)	(2,282)	(2,643)	(3,023)	(3,425)	
Dallas	(21)	(29)	(39)	(51)	(65)	(82)	
Atlanta	(12)	(16)	(20)	(25)	(32)	(39)	
Phoenix	(40)	(50)	(63)	(78)	(96)	(117)	
Total Core	(1,687)	(2,035)	(2,404)	(2,796)	(3,215)	(3,663)	
Charlotte		(10)	(22)	(36)	(54)	(74)	
San Antonio		(10)	(22)	(36)	(54)	(74)	
Total Organic HB	(1,687)	(2,055)	(2,446)	(2,869)	(3,322)	(3,812)	
Land	(32)	(47)	(65)	(87)	(114)	(145)	
Total PP&E Depreciation		(2,102)	(2,513)	(2,956)	(3,436)	(3,957)	
Acquis #1 - 2007			(20)	(44)	(73)	(107)	
Acquis #2 - 2009			-	-	(20)	(44)	
Grand Total PP&E, Accumulated		(2,102)	(2,533)	(3,000)	(3,529)	(4,109)	
SUMMARY							
Property & equipment, Gross	4,880	5,249	5,669	5,928	6,331	6,786	
PP&E, Accum. Deprec	(1,719)	(2,102)	(2,533)	(3,000)	(3,529)	(4,109)	
PP&E, Net	3,161	3,147	3,036	2,927	2,803	2,677	

ROYCE
Interest Calculation

CONFIDENTIAL

2005	Houston	Atlanta	Dallas	Phoenix	Land Cos	Total	
Balance Sheet							
WIP - Capitalized Interest	973,305	121,760	276,315	56,540	345,267	1,773,188	
Income Statement							
Capitalized Interest	1,685,696	124,040	166,428	691,362	208,481	2,876,007	51%
Non-Capitalized Interest	2,154,798	92,922	422,908	42,133	0	2,712,761	49%
Total Interest Expense	3,840,494	216,962	589,336	733,495	208,481	5,588,768	100%

	2006	2007	2008	2009	2010
Interim Interest rate	8.50%	8.50%	8.75%	8.75%	8.75%
Capital Lease Rate	15%	15%	15%	15%	15%
Capital Lease	4,475	4,251	3,991	3,691	3,345
Interim Financing	125,681	165,051.00	170,740.76	189,888.39	210,643.00
DEBT OUTSTANDING	130,157	169,302	174,732	193,579	213,988
Total Interest Exp Incurred	11,349	14,662	15,534	17,165	18,929

Total Interest Expense

	2005	2006	2007	2008	2009	2010
Capitalized Interest, Beginning	4,489	7,154	8,931	12,054	14,043	16,575
+Interest Incurred	10,065	11,349	14,662	15,534	17,165	18,929
Less:						
Interest Exp - COS	-4,010	-5,033	-5,675	-7,331	-7,767	-8,582
Interest Exp - Non-Cap	-3,391	-4,540	-5,865	-6,214	-6,866	-7,572
Capitalized Interest, Ending	7,154	8,931	12,054	14,043	16,575	19,350
Interest Exp - COS as % prev year's Int Incurre	-48%	-50%	-50%	-50%	-50%	-50%
Interest Exp -Non cap as % Int Inc	-34%	-40%	-40%	-40%	-40%	-40%
Total Interest Expense, COS + Non-Cap	7,400	9,572	11,540	13,545	14,633	16,154
Interest Cost Per Closing	\$ 4,397.12	\$ 5,202.36	\$ 5,443.18	\$ 5,715.08	\$ 5,585.10	\$ 5,532.24

ROYCE HOMES

DISCLAIMOR

The figures presented in these materials are not intended to be used for any purposes other than as an introduction to the Royce Homes, LP and related companies. Many of the figures are forward looking projections or based on projections. We do not guarantee the accuracy of this information.